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## WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 5.14.2010

Americans Cannot Afford Another TARP II Program.

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The Democrats' unsustainable spending continues to jeopardize the ability of the economy to recover and places the long-term fiscal health of the US at risk.

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Now, the Democrats want to spend \$40 billion on a new TARP II program (H.R. 5297). Unfortunately, the Democrats' proposal is not yet ready for prime time; the small business programs are vaguely sketched and do not have an identified source of funding.

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By now, the Administration and Congress should know that their proposals intended to spur economic activity and jump-start lending have been a failure and have cost taxpayers hundreds of billions of dollars. The Democrats claimed their \$862 billion stimulus legislation would keep unemployment below 8 percent; however, unemployment reached a high of 10.2 percent and currently stands at 9.9 percent. The \$700 billion TARP program was suppose to prevent the collapse of the financial system, but also help unfreeze the credit market to ensure consumers and businesses can obtain loans.

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The American people cannot afford yet another sequel to the Democrats' failed economic policies.

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The new \$40 billion spending program proposed by Chairman Frank would be on top of more than \$200 billion in unemployment benefits, tax code and Medicare changes that will cost \$180 billion, and a \$33 billion Afghanistan war supplemental bill that Congress is expected to consider over the next few weeks. The Congressional Budget Office (CBO) reported that the President's budget plan will increase the public debt to \$20.3 trillion by 2020.

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It is this out of control spending, along with uncertainty over Democrat policies, that is causing businesses to sit on the sidelines, instead of expanding, hiring more workers, or increasing production.

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The Committee must thoroughly review any new spending proposals and evaluate their effectiveness and the impact they will have on the national debt.

## The European Sovereign Debt Crisis Must Serve As A Warning To The U.S.

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The European sovereign debt crisis, which was ignited in Greece after years of reckless spending and borrowing, should serve as a wakeup call to Democrats in Washington.

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American taxpayers cannot continue to afford the reckless spending, borrowing, and accounting gimmicks going on in Washington by the Democrats. However, the Democrats are ignoring the dangers of their out of control spending. The President's FY2011 budget will double the national debt in five years and triple it in ten years.

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We cannot continue to engage in reckless spending without consequences. We owe it to the American people to get spending under control and reduce the deficit.

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If Democrats cannot discipline their borrowing and spending, future generations will pay for today's poor fiscal planning.

## Financial Regulatory Reform Must Be Done Right, Not Fast.

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The Democrats' proposals for financial regulatory reform in the House and Senate fail to rein in Wall Street and address the real cause of the financial crisis.

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The Government Sponsored Enterprises (GSEs) were at the heart of the housing meltdown and financial crisis, but both the Senate and House Democrat regulatory reform bills fail to address the future of Fannie Mae and Freddie Mac. The House bill exempts Fannie and Freddie from the new regulatory structure, while Senate Democrats opposed Republicans' efforts to reform the GSEs, opting instead for a study.

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The Democrats continue "too big to fail" by directing regulators to designate financial institutions as "too big to fail." This designation is dangerous as it carries tremendous benefits to the firm receiving it, but places taxpayers on the hook for future bailouts.

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Both House and Senate bills reward the Securities and Exchange Commission and the Federal Reserve-the two regulators that failed miserably to police the financial markets and address systemic risk in the period leading up to the crisis-with new powers and missions to oversee the market.

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We need real financial reform that addresses the root causes of the crisis and holds regulators accountable for using the tools already given to them by Congress to protect investors, consumers, and taxpayers.

## ON THE HORIZON

Tuesday, May 18: The Full Committee will convene for a hearing on small business lending at 1 pm in room 2128 Rayburn.

Wednesday, May 19: The Full Committee will mark up H.R. 5297, Small Business Lending Fund Act at 10 am in room 2128 Rayburn.

Thursday, May 20: The International Monetary Subcommittee and the Domestic Monetary Policy Subcommittee will hold a joint hearing entitled "The Role of the International Monetary Fund and the Federal Reserve in Stabilizing Europe" at 2pm in room 2128 Rayburn.

Friday, May 21: The Capital Markets Subcommittee will convene for a hearing entitled "Accounting and Auditing Standards: Pending Proposals and Emerging Issues" at 10 am in room 2128 Rayburn.

## WEEKEND MUST-READS

Wall Street Journal: "The Credit Raters Brawl ... Congress's financial reform will make the regulatory system worse in hundreds of ways, but there may be one exception: credit ratings. Thanks to a measure pushed by Florida Republican George LeMieux, we have a chance to avoid government-sanctioned ratings on securities."

Wall Street Journal: "In Defense of Over-the-Counter Derivatives ... In 1989, there were \$2.5 trillion of swaps outstanding, according to the International Swaps and Derivatives Association. Today there are \$464 trillion. Why?"

Politico: "President Obama rips, raises cash from Wall St. ... President Barack Obama Wednesday went from his White House to Main Street tour of Buffalo to raising money for Democrats from Wall Street executives in Manhattan, even as

he continued to blame them for the economic crisis and seek sweeping industry reforms in Congress."

The Hill: "The Fed keeps its power ... Populist lawmakers are failing to convert public outrage at Wall Street into tighter controls on the Federal Reserve."

Wall Street Journal: "Fannie the Unreformable ... 'We all should have done a better job.'" So said Senator Chris Dodd yesterday in discussing Fannie Mae and Freddie Mac, in what ought to go down as the understatement of the young 21st century. Yet such general and less-than-abject remorse wasn't enough for Mr. Dodd and his fellow Democrats to vote to reform the money-losing government-owned companies and clean up the mess they made in the mortgage market."

LA Times: "Banks should have living wills in case of failure, FDIC says ... In case of pending death, the country's major banks should have living wills, the Federal Deposit Insurance Corp. proposed Tuesday, so that they can be shut down if need be in an orderly fashion."

## REPUBLICANS IN THE NEWS

Rep. Ed Royce issued this press release: Royce on the Flash Crash

Rep. Ron Paul issued this press release: Paul Disappointed by Senate's Failure to Support a Full Audit of Fed

Rep. Walter Jones issued this press release: Jones Calls On Administration To Stop US Taxpayer Bailout Of Greece

Rep. Jeb Hensarling issued this press release: Hensarling Statement On Fannie Mae Seeking Further Taxpayer Funds

Rep. Tom Price issued this press release: Price on EuroTARP: "The Bailout Brigade Just Can't Stop"

Rep. Michele Bachmann issued this press release: All About the Bailouts...Foreign and Domestic

Rep. Spencer Bachus issued these press releases: Bachus: Senate Democrats Kill Off Any Chance for Real Bipartisan Reform; Bachus: We Must Be Cautious In Responding To Last Thursday's Market Events; On The Ropes: Kanjorski Scolded on CNBC....Says Fannie/Freddie Reform "Too Complicated"; Fannie and Freddie Reform: What Are We Waiting For?; Bachus Implores Senate to Address the "Elephant in the Room" as Fannie, Freddie Report More Taxpayer Losses

## CARTOON OF THE WEEK

(Washington Post)